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11 The Siegel Group Nevada, Inc. and Garrett Capital LLC

8 EIGHTH JUDICIAL DISTRICT COURT
9 CLARK COUNTY, NEVADA

A-18-781311-C

CASE NO.
DEPARTMENT Department 32

COMPLAINT

(Exempt from Arbitration – Amount in
Controversy Exceeds \$50,000.00;
Injunctive Relief Sought)

9 THE SIEGEL GROUP NEVADA, INC., a
10 Nevada corporation; GARRETT CAPITAL
11 LLC doing business as ARTISAN HOTEL
12 BOUTIQUE, a Nevada limited liability
13 company,

Plaintiffs,

v.

14 COLIN CROSSMAN, an individual; DEANNA
15 CROSSMAN, an individual; MT
16 CHARLESTON LANDLORD LLC, a Nevada
17 limited liability company; IPG
18 INVESTMENTS LLC, a Washington limited
19 liability company; DOE DEFENDANTS I-X,
20 unknown individuals; and ROE COMPANIES
21 XI-XX, unknown entities,

Defendants.

20 Plaintiffs THE SIEGEL GROUP NEVADA, INC. and GARRETT CAPITAL LLC d/b/a
21 ARTISAN HOTEL BOUTIQUE, as and for their Complaint against Defendants COLIN
22 CROSSMAN, DEANNA CROSSMAN, MOUNT CHARLESTON LANDLORD LLC, and IPG
23 INVESTMENTS LLC, hereby complain and allege as follows:

24 JURISDICTION AND VENUE

- 25 1. This Court has jurisdiction over this matter because the acts and omissions of the
26 Defendants occurred in Clark County, Nevada and Plaintiffs' damages exceed \$15,000.00.
27 2. Venue is proper in Clark County, Nevada because the acts and/or omissions giving
28 rise to the claims herein occurred in Clark County, Nevada.

EXHIBIT

B

THE SIEGEL GROUP
A Division of the Siegel Group Nevada Inc.
3790 PARADISE ROAD • SUITE 250 • LAS VEGAS, NEVADA 89169
PHONE (702) 952-1939 • FAX (702) 947-8317

THE PARTIES

3. Plaintiff The Siegel Group Nevada, Inc. ("TSG") is now, and was at all times relevant hereto, a Nevada corporation lawfully doing business in Clark County, Nevada.

4. Plaintiff Garrett Capital, LLC d/b/a Artisan Hotel Boutique (the "Artisan") is now, and was at all times relevant hereto, a Nevada limited liability company lawfully doing business in Clark County, Nevada.

5. On information and belief, Defendant MT Charleston Landlord LLC ("MTC Landlord") is a Nevada limited liability company doing business in Clark County, Nevada.

6. On information and belief, Defendant Colin Crossman ("C. Crossman") is a resident of North Carolina, and is the Chief Executive Officer of MTC Landlord.

7. On information and belief, Defendant Deanna Crossman ("D. Crossman") is a resident of North Carolina, and is the Chief Operating Officer of MTC Landlord.

8. On information and belief, Defendant IPG Investments LLC ("IPG") is a Washington limited liability company doing business in Clark County, Nevada.

9. Pursuant to Rule 10(a) of the Nevada Rules of Civil Procedure, *Nuremberger Hercules-Werke GMBH v. Virostek*, 107 Nev. 873, 822 P.2d 1100 (1991), and other applicable law, Plaintiffs sue the defendants designated herein as DOE and ROE companies, the true names and capacities of whom are unknown to Plaintiffs at this time. Plaintiffs are informed and believe, and thereon allege, that defendants designated as DOE and ROE herein were in some manner involved in, and/or are responsible for, the acts, omissions, events, happenings, and/or offenses alleged in this Complaint, and/or directly and proximately caused or are responsible for the damages and/or relief sought herein, including, without limitation, Defendants' publication of false and defamatory statements concerning TSG and the Artisan. Plaintiffs will seek leave of Court to amend this Complaint to name the defendants designated as DOE and ROE herein when their true names and capacities are ascertained.

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GENERAL ALLEGATIONS

10. TSG is a real estate investment and management corporation that manages over sixty (60) entities operating as extended-stay hotels, multi-family apartment complexes, restaurants, and commercial/retail spaces (the “Siegel Entities”).

11. TSG is involved in the business of acquiring, developing, and managing real estate assets throughout the United States.

12. Many of the Siegel Entities operate as multi-family flexible-stay apartment complexes under the brand name “Siegel Suites”.

13. The Artisan is a Siegel Entity, and operates as a boutique hotel in Las Vegas, Nevada.

14. The hotel property located at 2755 Kyle Canyon Road, Mount Charleston, Nevada 89124 (the “MTC Resort”) was owned by Mt. Charleston Resort, LLC, doing business as The Resort on Mount Charleston, through June 2018. In June 2018, Mt. Charleston Resort, LLC sold the MTC Resort to Defendant MTC Landlord (the “MTC Resort Transaction”).

15. On information and belief, C. Crossman, D. Crossman, and MTC Landlord retained IPG to assist with retaining financing for the MTC Resort Transaction.

16. On information and belief, in connection with seeking financing for the MTC Resort Transaction, C. Crossman, D. Crossman, MTC Landlord, and IPG prepared a five-page “Executive Summary” regarding MTC Landlord’s acquisition of the MTC Resort (the “Executive Summary”). A copy of the Executive Summary is attached to this Complaint as **Exhibit 1**.

17. The Executive Summary includes numerous false and defamatory statements regarding the Siegel Entities branded as the “Siegel Suites” and the Artisan, including but not limited to numerous statements that “Siegel Suites” poorly managed the MTC Resort and that the Artisan is “a gay and lesbian hotel.”

18. At no point during its operation did the MTC Resort operate as a “Siegel Suites”.

19. On information and belief, Defendants published the Executive Summary to numerous lenders, brokers, and investment firms who TSG and the Artisan regularly conduct business with.

20. As a direct and proximate result of Defendants' publication of the Executive Summary, Plaintiffs have been damaged in an amount in excess of \$15,000.00, the exact amount to be proven at trial.

FIRST CAUSE OF ACTION
(Business Disparagement)

21. Plaintiffs hereby incorporate the allegations contained in all of the preceding paragraphs as if fully set forth herein.

22. Defendants made false and defamatory statements concerning TSG, the Siegel Entities, and the Artisan.

23. On information and belief, Defendants published the false and defamatory statements to third parties, including numerous lenders, brokers, and investment firms who TSG and the Artisan regularly conduct business with.

24. On information and belief, Defendants published the disparaging statements with reckless disregard for the truth of the statements.

25. Defendants were not privileged or justified in making the disparaging statements.

26. TSG and the Artisan have suffered damages as a result of the defamatory statements, including the loss of business, loss of income, and loss of goodwill / reputation.

27. As a direct and proximate result of Defendants' actions and omissions as set forth herein, Plaintiffs have been injured in an amount in excess of \$15,000.00, the exact amount to be proven at trial.

SECOND CAUSE OF ACTION
(Injunctive Relief)

28. Plaintiffs hereby incorporate the allegations contained in all of the preceding paragraphs as if fully set forth herein.

29. NRS 33.010 provides that an injunction is appropriate "when it shall appear by the complaint that the plaintiff is entitled to the relief demanded, and such relief or any part thereof consist in restraining the commission or continuance of the act complained of, either for a limited period or perpetually."

1 30. On information and belief, Defendants are disseminating the Executive Summary,
2 which contains numerous false and defamatory statements about Plaintiffs, to various lenders,
3 brokers, and investment companies, thereby causing Plaintiffs damages.

4 31. As such, Plaintiffs are entitled to an injunction preventing and prohibiting the
5 publication and dissemination of the Executive Summary.

6 **PRAYER FOR RELIEF**

7 WHEREFORE, Plaintiffs pray for judgment against Defendants as follows:

- 8 1. For an award of compensatory damages in an amount to be proven at trial;
9 2. For an award of punitive damages in an amount to be determined at trial;
10 3. For an injunction enjoining Defendants from publishing or disseminating the
11 Executive Summary;
12 4. For pre-judgment and post-judgment interest, at the highest rate permitted pursuant
13 to contract and/or applicable law;
14 5. For costs of collection and suit, including reasonable attorneys' fees, pursuant to
15 contract and/or applicable law; and
16 6. For such other and further relief as the court deems just and proper.

17 RESPECTFULLY SUBMITTED this 18th day of September, 2018.

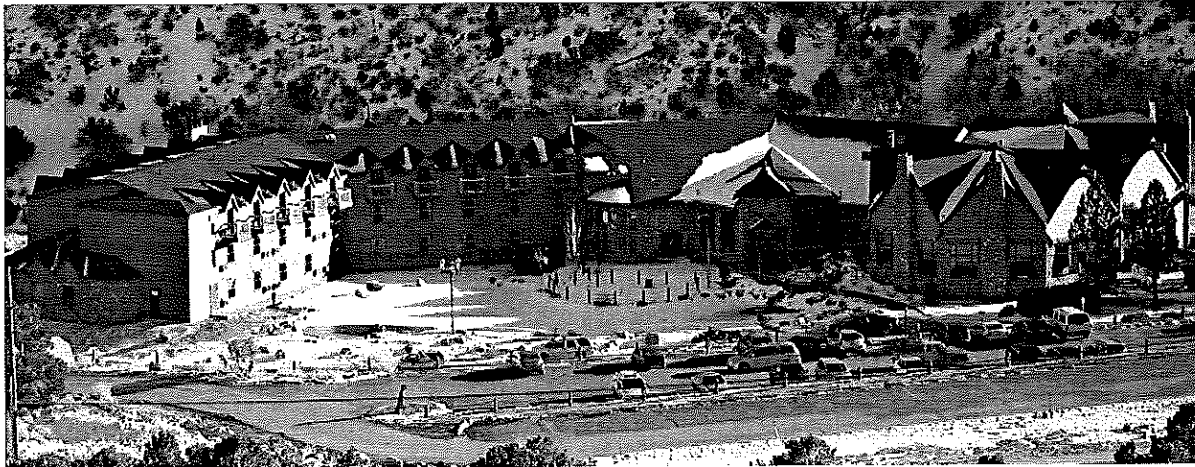
18 THE SIEGEL GROUP

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20 By: /s/ Sean Thueson
21 SEAN D. THUESON, ESQ.
22 KRISTINE A. O'QUINN, ESQ.
23 3790 Paradise Road, Suite 250
24 Las Vegas, Nevada 89169
25 Attorneys for Plaintiffs
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28

Exhibit 1

Hotel in Mt. Charleston, NV

Mt. Charleston Resort
2755 Kyle Canyon Rd
Mount Charleston, Nevada 89124



The project

Acquisition and restoration of a boutique hotel with 62 rooms, gift shop, fitness center, bar/lounge with gaming, restaurant and expansion possibilities. The seller has been treating this 1980's era mountain lodge-style hotel as an ultra-low-end property, attempting to fit it in with his other rent-by-the-week properties in the greater Las Vegas area.

Loan Request:

A \$4,550,000 loan is requested to purchase this boutique hotel property, with an additional \$6,500,000 requested for restoration and loan interest reserve, 2 year term.

Alternatively, just the acquisition funds of \$4,550,000, interest only, 2 year term. We have local NV alternatives for construction investment if that is more desirable to lender.

Evolution:

The Mount Charleston Resort has only had three owners since it was built in 1982-84 by Robert Bigelow. Robert Bigelow is the founder and President of Budget Suites of America, a chain of 19 budget extended stay hotels. He owned and operated the Mount Charleston Hotel from 1982-2004. He sold it to Great American Capital in 2004. The property filed for bankruptcy in 2008 and the mortgage was assumed by Siegel Suites in a 50-50 partnership with Great American Capital. Siegel Suites is the managing partner. Siegel Suites is another low-cost budget hotel chain with 26 extended stay hotels in Las Vegas owned by Stephen Siegel. In 2008, Siegel Suites acquired the interest in three boutique hotels and claimed he was going to operate them as luxury boutique hotels. They included The Resort at Mount Charleston, Rumors Hotel and Casino (an \$18 million property across the street from the Hard Rock Hotel), and The Artisan Hotel (a \$3.5 million gay and lesbian hotel on Sahara and the I-15 freeway in Las Vegas). Siegel recently sold the Rumors hotel for \$18 million and has tried to sell the Mount Charleston Resort and the Artisan for the past three years. The Siegel organization was not experienced or structured to operate resorts or casinos.

Since the acquisition by Siegel Suites, the Resort at Mount Charleston has been poorly managed, poorly maintained and had virtually no marketing to reach the 42 million tourists who visit Las Vegas annually or the 1.5 million visitors that visit Mount Charleston's four primary tourist destinations: The Mount Charleston Resort, The Mount Charleston Lodge (25 rental cabins and a restaurant), the Mount Charleston Ski Resort and the new Mount Charleston Visitor's Center.

The visitor's center is owned and operated by the US Forest Service. It was built at a cost of \$10 million in addition to \$15 million to acquire the 128 acres adjacent to the Mount Charleston Resort which was formerly a golf course.

The visitor's center opened in December 2014 and had 48,000 visitors in 2015 and 60,000 visitors in 2016. They estimated 100,000 visitors in 2017. It is adjacent to the Mount Charleston Resort and Siegel has made no effort to capitalize on these tourists.

Siegel has had 18 different managers of the property in 9 years. The managers all quit or are fired because the Siegel group is unwilling to commit the necessary funds to properly market or maintain the property. Siegel has treated the resort like a budget motel and have spent no money on amenities. The spa and gym have been closed. There is no swimming pool or jacuzzi, and they have a high turn-over of employees because of their poor management and understaffing.

The Resort has long term contracts for water, sewer, propane, and electricity. It has no mineral rights. It has 5.7 acres of land and 55 parking spaces.

Even with the above issues, revenue was 2.6 Mil by 2016, on an ADR of \$83.89 and RevPAR of \$51.90. Their current marketing strategy, while adequate in resources allocated, leans heavily (85%) on direct mail, which typically has very low ROI for hospitality.

Restoration:

This project involves the acquisition of an existing, operating property, The Resort at Mount Charleston, which is just outside Las Vegas, NV. The property is the only hotel on the mountain, and one of only two lodging options that serve the ski resort (the other being 20 small log cabins). The property has fallen into disrepair, and is being managed well below its full potential. Even given the property's current state, it is holding a surprisingly high occupancy, and is doing sufficient business to be cash flow positive at the acquisition price.

After renovation, the property's ADR and RevPAR is expected to increase to the mid to upper \$100s. We expect that the increase in rate will not impact the occupancy in any appreciable manner, as the hotel will be offering a much better value than currently. Also, the current management is leaving considerable revenue on the table by contracting with third parties to operate the bar and gaming. Bringing those two in-house will add ~\$100k per month to top-line revenue.

There are additional expansion opportunities, since the property is one of a handful of commercially zoned parcels on the mountain. Furthermore, there isn't much undeveloped land available for purchase, since >90% of the mountain is owned by the Federal Bureau of Land Management. We are exploring the ability to add a gas station or small stop-and-shop to the existing (unused) outbuilding on the site, which would add considerable revenue as well.

Taking a broader market view, the Las Vegas hospitality market is as strong as ever. Market occupancies approach 90%, which is driving excellent RevPAR growth. The property has been the beneficiary of this demand growth. By renovating the property, it can be put into a position that captures even more of this market.

We have included the recent Las Vegas hospitality market study (released October 2017) in the attached files.

We propose a renovation that elevates this property from its current down-market state to a mid-scale or lower-upscale market.

Improvements include significant upgrades to the exterior space (renovated wedding area, addition of a pool, and decks off the spa, bar, and restaurant), new FF&E throughout, new flooring, painting, plumbing, and mechanical. These improvements will be phased to minimize business impact.

The buyers anticipate increased revenue resulting from:

- Hiring a successful event manager to promote more restaurant and bar sales
- Modernizing the sales strategy to take advantage of an online presence
- Obtaining a gaming license and bringing the slot-machine revenue in-house. This is anticipated to bring in \$10k - \$20k per week.

- Las Vegas is growing rapidly, and announced the move of the Oakland Raiders to Las Vegas is anticipated to rapidly grow the already strong hospitality market. Las Vegas also recently scored an NHL team, and may be in the running for an MLB expansion.
- Nevada passed recreational marijuana, with dispensaries opening for recreational sales July 1st, 2017. New dispensaries will be allowed starting in November 2018.

The team:

Colin R Crossman; Chief Executive Officer

Colin received his undergraduate education at Carnegie Mellon University, and an MS and JD from Duke University. He has a background in property management and residential remodeling. In addition, he co-founded PhD Posters, LLC, an online printing service catering to academic communities around the country. His mix of skills enables him to understand the business of Rhea Hospitality from all perspectives and direct it in the right direction over the coming years.

Deanna Crossman; Chief Operating Officer:

Deanna has her undergraduate degree from the California Institute of Technology, and an MS from Duke University, as well as 10 years' experience as a general contractor and property manager. She has an unlimited building contractor's license with the state of North Carolina and oversaw the restoration and construction of the King's Daughters Inn in Durham, and the construction of the Mayton Inn in Cary, NC. Since 2009, she has served as the General Operations manager for all properties.

Joint Experience:

Their joint experience with the successful management of 32 residential rental units, the 17-room King's Daughters Inn, and the 45-room Mayton Inn gives them the perfect background for this position. Crossman Properties finished liquidating all assets in 2016, selling into Durham's high-flying residential real estate market.

In 2008, Colin and Deanna acquired The King's Daughters Home in Durham, NC, and proceeded to renovate it into the King's Daughters Inn, opening in 2009. The King's Daughters Inn was the first new hospitality property in Durham in over a decade, and was quickly integrated into the market - even considering the global financial situation at the time. By leveraging their extensive contacts at Duke University, they rapidly made the property an integral part of the community.

When they opened the King's Daughters Inn, Colin and Deanna possessed basic experience in the hospitality sector. They quickly learned more, operating the property without any staff besides the two of them for the first six months. By year three, they had grown the King's Daughters Inn's operations and reputation to such a level that the Town of Cary approached them to construct a boutique hotel as an anchor property to a total downtown restoration.

The Mayton Inn opened to much fanfare in downtown Cary in February of 2016. Colin and Deanna's expert management skills allowed the Mayton Inn to rapidly become the downtown anchor that the Crossmans and the Town initially envisioned.

Now that the Mayton Inn is reaching its potential, the Crossmans are looking to expand once again. They have been approached by the Towns of Wake Forrest, Shalotte, Rocky Mount, and Hendersonville to explore potential opportunities in each municipality. They find the Resort at Mount Charleston to be the best next target to continue a reasonable supported grow with maximum return.

Financial performance:

According to the information provided by the seller, from 2014 to 2017, average occupancy increased from 49.2% to 63.2%; the revenue improved from \$ 2.06 Mil to \$2.7 Mil; while the yearly NOI improved from \$39k to \$517k.

The property performed at those numbers despite the significantly negative effect on rate that its level of maintenance and quality supports. Maintaining the current situation, we expect that the hotel will be able to continue to support these numbers.

However, our plan includes several elements that are anticipated to vastly increase top-line revenues, at a minimal or modest impact on COGS and expenses.

- First, by investing the capital to renovate and restore the property to an upper-midscale to upscale class, we believe that RevPAR can be increased to \$130 within 2 years, resulting in a top-line room revenue of \$2.9 Mil (up from \$1.2 Mil in 2017).
- In addition, bringing the gaming revenue and increased bar revenue in house is expected to add an additional \$750k when fully implemented. This increases the top-line revenue from \$2.6 Mil to \$5.3 Mil by the end of year 2.

Exit Strategy:

The buyer's strategy considers the following possible scenarios:

- Refinancing with a low rate and favorable terms commercial loan to pay-off the bridge loan once the project is stabilized, estimated in 24 months.
- Upon success of the previously mentioned renovations and actions, sell the property for a profit.